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MHA AN ASSOCIATION OF MONTANA HEALTH CARE PROVIDERS

Testimony on HB 334
March 23, 2011
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MHA appreciates this opportunity to provide our support for HB 334 and to comment on this proposal to substantially amend the Montana Workers' Compensation statutes. MHA appears today representing hospitals and other health care providers. Hospitals employ more than 14,000 people statewide. Hospitals also provide a significant amount of care to injured workers.

You've heard from all parties involved that the three major reasons for Montana's high workers' compensation premiums are: We injure workers at a greater rate than any other state; Injured workers remain on workers comp benefits longer than in any other state; and, injured workers consume more medical services than in any other state.

Rep. Reichner reached out to MHA and the provider community seeking to gain our perspective about workers' compensation and to request that we make suggestions that will address the problems facing Montana. We really appreciate this approach since health care providers are an important part of the work comp system. LMAC focused on labor and management, but Rep. Reichner's approach was more inclusive.

HB 334 reflects some of our recommendations, especially relating to the problems of injured workers being delayed in their return to work and high utilization of services being consumed by injured workers.

Section 9, page 24 of the bill addresses a major concern expressed by hospitals about compensation paid to treat injured workers. As the Labor Management Advisory Council worked to recommend changes to workers' compensation it became clear that medical rates would be reduced by as much as 25% to fund new benefits and reduce premiums.

The 72 Cents Problem
You will very likely hear that 72 cents of every premium dollar collected for workers' compensation coverage is spent on medical care. You will be told that, in years past, the balance between payments for lost wages and medical costs was much closer to 50/50. We don't dispute the contention that so much more of the premium dollar goes to medical care. The more important question before you is to determine why that is true.

- Montana injures workers more often, injured workers remain on medical benefits longer and consumer more medical care than in any other state. Is it any wonder that the portion of premiums that go to medical care is so high?

- Montana payers have consistently gained statutory relief to reduce hospital (and to some degree, physician) payments. Montana workers comp hospital rates have lagged behind medical inflation since 1989. Hospitals were once paid their billed charges, but now are paid just 54% of charges. The growing portion of premium that goes to pay for hospital care is not due to rapidly increasing payment rates.

- Montana insurers must reserve part of their premiums for future medical care costs. In doing so, insurers are trending fast growing costs for prescription drugs and greater utilization of expensive surgery and other related medical care.

To resolve this problem, there is no need to reduce the rate at which medical providers are paid. That strategy has been deployed for years. It does not work. To resolve the problem you must reduce the number of workers that are injured, reduce the amount of time injured workers receive medical benefits and reduce the amount of medical care that is consumed by injured workers.

We have been working to resolve our disagreements with the information supplied to LMAC. **HB 334 holds hospital payments steady for the next two years. The question is whether this is reasonable.** MHA believes it so, for the following reasons:

- Collectively, Montana hospitals are now being paid 105% of treatment costs. 11 hospitals shared their data with the Department of Labor, 6 hospitals are paid above costs, while 5 are paid below costs.

  LMAC has stated that its goals are to pay hospitals for the cost to provide care, plus a reasonable (and modest) profit margin. This goal was echoed by Rep. Chuck Hunter before this Committee during the hearing for HB 87.

  MHA believes the LMAC stated policy goal to pay hospitals the treatment cost plus a modest margin is met with the current payment rates. It is highly likely that hospitals will collectively be paid below their costs at the end of the 30 month freeze.

- Montana hospitals paid under the Department's fee schedules are receiving about 54% of our billed charges. We think this shows that workers were not alone in taking less over the years since the last time Montana reformed its statutes.

- There may be times when benefits end for an injured worker that hospitals may be asked to provide care without compensation by workers' compensation payers.

- Montana hospitals generally receive lower payments for hospital care compared to our neighboring states.
  - Oregon pays its hospitals using a hospital –specific cost plus method, usually paying rates greater than 54% of charges.
  - Idaho pays its hospitals with more than 100 beds 85% of billed charges, and hospitals with fewer than 100 beds 90% of charges.

- Washington uses a DRG-bases system, and has the base price set at $9,244, while Montana's system is $7,735. We are not sure exactly how different the prices are, since the states use dissimilar weights.
- North Dakota uses the same base system as Montana, and appears to pay hospitals within 5% of the amount paid here. North Dakota has the lowest premiums, while Montana has the highest. But the difference does not appear to rest upon the amount paid to hospitals.

MHA expects to continue to work with the Department on a sustainable fee schedule for the future during the next two years. In the meantime, we expect to gain experience with the utilization and treatment guidelines to determine whether they successfully address the utilization of medical care.

HB 334 includes a change to how physicians are compensated, and also allows designation of a treating physician. Montana's physicians were alarmed by the LMAC proposal to substantially reduce the physician fee schedule. There was an immediate reaction by physicians to oppose that proposal, including the prospect of many Montana physicians to stop providing care to injured workers.

Physicians suggested that treating injured workers required more paperwork and involved more administrative duties than other payers. Given the prospect of lower payments it just wasn't worth being involved. Unlike a lot of more urban states, Montana does not have a surplus of orthopedic surgeons to assure continued access to care.

HB 334 provides a policy to allow physicians who agree to be designated the treating physician higher fee schedule payments to compensate them for the extra work involved with workers' compensation. The payers can also expect more timely production of the needed paperwork and recommendations about medical healing, work capabilities and more. Further, a treating physician can manage a consistent plan of care. Meanwhile, specialists can be called upon to provide their services without inheriting unwanted administrative burdens. Payments for non-treating physicians are reduced in the bill.

MHA believes that this new policy will result in quicker access to care and help reduce the length of time an injured worker remains off the job.

Hospitals and physicians are doing their part to address Montana's workers' compensation costs. We aren't getting a "pass". Providers will face lower payments as the utilization and treatment guidelines affect coverage for services. Treating physicians will now have greater authority and responsibility to provide cost effective and timely health care. Providers will be expected to continue to provide access to health services, even when payments will fall below treatment costs.

HB 334 directly addresses the main reasons for Montana's high work comp premiums.

We urge your support for HB 334.